

## Message Text

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PAGE 01 STATE 111707  
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P 161628Z MAY 77  
FM SECSTATE WASHDC  
TO AMEMBASSY LISBON PRIORITY

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E.O. 11652: N/A

TAGS: EINV, PO

SUBJECT: INVESTMENT DISPUTES: MUNDET AND CO.

REF: (A) LISBON 1694; (B) LISBON 1321

1. FOLLOWING IS TEXT OF LETTER HAND CARRIED TO DEPARTMENT  
BY THEODORE PROUNIS, ATTORNEY FOR MRS. PAULA MUNDET.

2. QUOTE: MUNDET & CIA. LDA. IS A PORTUGUESE LIMITED  
LIABILITY COMPANY, OWNED 93 BY PAULA MUNDET, A U.S. CITI-  
ZEN RESIDENT IN PORTUGAL.

3. THE COMPANY WAS ONE OF THE LARGEST MANUFACTURERS AND  
EXPORTERS OF CORK PRODUCTS, EMPLOYING APPROXIMATELY 1,300  
PERSONS AT TWO PLANTS IN SEIXAL AND MONTIJO, PORTUGAL.

4. AFTER THE PORTUGUESE "REVOLUTION", IN APRIL 1974, THE  
WORKERS' COMMITTEE FORMED AT THE COMPANY CAUSED THE DIS-  
MISSAL OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER,

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PAGE 02 STATE 111707

(A U.S. CITIZEN), AS WELL AS THE UPPER ECHELON EXECUTIVE  
STAFF.

5. BY RESOLUTION OF THE CABINET COUNCIL, DATED JULY 18,  
1975, SIGNED BY THEN PRIME MINISTER VASCO DOS SANTOS

GONCALVES, THE PORTUGUESE GOVERNMENT INTERVENED IN THE

COMPANY. IT SUSPENDED THE MANAGEMENT, AND IN ITS PLACE NAMED AN ADMINISTRATIVE COMMITTEE SUGGESTED BY THE WORKERS.

6. MS. MUNDET REQUIRED FINANCIAL REPORTS FOR U.S. INCOME TAX PURPOSES. SHE HAD ALSO PERSONALLY GUARANTEED (BY PLEDGING HER PRIVATE PROPERTY) SUBSTANTIAL LOANS MADE TO THE COMPANY. MS. MUNDET REQUESTED AND WAS REFUSED ALL FINANCIAL INFORMATION CONCERNING THE COMPANY'S OPERATIONS. SHE WAS NOT EVEN PERMITTED TO VISIT THE PLANTS.

7. ON OCTOBER 29, 1976, MS. MUNDET FORMALLY REQUESTED THE SECRETARY OF STATE FOR LIGHT INDUSTRY TO MAKE AVAILABLE TO HER ALL THE BOOKS OF ACCOUNT OF THE COMPANY FROM THE TIME THE WORKERS' COMMITTEE TOOK OVER, AND TO PERMIT AN INSPECTION OF THE PLANTS TO BE MADE BY TECHNICAL PEOPLE OF HER OWN CHOOSING. THIS REQUEST WENT UNANSWERED.

8. RECENTLY FINANCIAL REPORTS WERE FURNISHED TO MS. MUNDET BUT SHE HAS NOT BEEN GIVEN ACCESS TO THE BOOKS, NOR PERMITTED TO MAKE ANY AUDIT OF THE SAME, NOR TO INSPECT THE PLANTS.

9. SINCE THE TAKE OVER BY THE WORKERS AND THE GOVERNMENT, IT APPEARS THAT SALES HAVE BEEN MINIMAL IN TERMS OF THE PRODUCTION CAPACITY OF THE COMPANY. THE TRADITIONAL EXPORT MARKETS IN THE WEST HAVE BEEN ADVERSELY AFFECTED. SALES WERE INITIATED IN EASTERN EUROPEAN MARKETS AND USE MADE OF THE MUNDET NAME WITHOUT THE APPROVAL OR CONCURRENT LIMITED OFFICIAL USE

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PAGE 03 STATE 111707

RENCE OF MS. MUNDET.

10. MS. MUNDET CANNOT YET ASSESS THE FULL EXTENT OF THE DAMAGES CAUSED BY THE INTERVENTION OF THE WORKERS' COMMITTEE AND THE PORTUGUESE GOVERNMENT OR BY THE DESTRUCTION OF THE MANAGEMENT ECHELON, THE LOSS OF SALES, LOSS OF MARKETS, LOSS OF QUALITY AND REPUTATION OF HER PRODUCTS OR BY THE UNAUTHORIZED USE OF THE MUNDET NAME. NEITHER CAN SHE MEASURE THE PRESENT EXTENT OF HER PERSONAL LIABILITY AND HER ABILITY, IF ANY, TO MEET THE SAME IN LIGHT OF THE PRESENT CONDITION OF THE COMPANY.

11. AS A SOLE INDIVIDUAL, MS. MUNDET IS UNABLE TO PERSONALLY ABSORB SUCH DAMAGES IN THE SAME MANNER AS LARGE U.S. PUBLIC CORPORATIONS WHICH EXPERIENCED SIMILAR TREATMENT.

12. AS A U.S. CITIZEN, MS. MUNDET LOOKS TO HER GOVERNMENT TO APPLY THE ANNOUNCED FOREIGN POLICY CRITERIA OF

FAIR PLAY AND HUMAN RIGHTS IN THIS MATTER. SHE REQUESTS THAT NO U.S. FUNDS IN THE FORM OF LOANS BE MADE TO PORTUGAL UNTIL SHE, AND OTHER U.S. CITIZENS IN THE SAME POSITION, HAVE BEEN DEALT WITH FAIRLY BY THE PORTUGUESE GOVERNMENT. SHE BELIEVES, WITH MERIT, THAT IT WOULD BE MANIFESTLY UNJUST FOR THE PORTUGUESE GOVERNMENT TO RECEIVE AID AND ASSISTANCE IN THE FORM OF SUBSTANTIAL LOANS MADE POSSIBLE BY U.S. TAX PAYERS, WHEN PORTUGAL HAS SHOWN SO LITTLE REGARD FOR THE RIGHTS OF THE U.S. CITIZENS.

13. THE AMERICAN AMBASSADOR IN LISBON HAS BEEN APPRISED OF THIS MATTER. IT IS HOPED THAT THE STATE DEPARTMENT, AND HOPEFULLY THE VICE PRESIDENT ON HIS FORTHCOMING TRIP TO PORTUGAL, CAN DEAL WITH THE ISSUES PRESENTED HEREWITH. END QUOTE

14. DEPARTMENT WOULD APPRECIATE URGENT UPDATE ON THIS LIMITED OFFICIAL USE

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PAGE 04 STATE 111707

CASE TO ASSIST IN RESPONDING TO LETTER. DATES AND SUBSTANCE OF EMBASSY REPRESENTATIONS AND GOP RESPONSES TO REPRESENTATIONS ON MUNDET'S BEHALF WOULD BE HELPFUL. IN ADDITION, PLEASE PROVIDE ASSESSMENT OF PROSPECTS FOR REDRESS OF MUNDET'S GRIEVANCES IN LIGHT OF NEW GOP MEASURES TO RESOLVE OUTSTANDING FOREIGN INVESTMENT DISPUTES. CHRISTOPHER

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## Message Attributes

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**TAGS:** EINV, PO, MUNDET & CIA LDA, (MUNDET, PAULA)  
**To:** LISBON  
**Type:** TE  
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